

A. The Need for Enterprise Risk Management (“ERM”)

1. Perbadanan Insurans Deposit Malaysia (“PIDM”) recognises that the management of risk is an integral part of sound management. This policy statement declares and affirms our commitment to sound risk management.

B. Our Roles and Responsibilities

1. Standard No. 10 of the Board Governance Policy states that the Board is responsible to:
 - (i) obtain an understanding of the principal risks of the Corporation’s business;
 - (ii) ensure that appropriate and prudent risk management systems to manage these risks have been implemented and review these regularly; and
 - (iii) obtain reasonable assurance, on a regular basis, that systems are being adhered to and continue to effectively manage the risks affecting the Corporation.
2. As outlined in the Board Governance Policy, PIDM’s Management is expected to:
 - identify and assess the significance of the risks to the achievement of the Corporation’s objects, strategies, plans and operations;
 - provide the Board regularly with reports that will enable the Board to understand the management of the Corporation’s significant risks;
 - recommend risk management policies for the Corporation’s significant risks to the Board, review these policies periodically (and at least annually) to ensure that they remain appropriate and prudent and report to the Board on the results of these reviews;
 - provide the Board regularly with reports that will enable the Board to be aware of any situations in which those risks are not being managed in accordance with established policies and assess whether the Corporation’s risk management policies remain appropriate and prudent in the circumstances and are being followed; and
 - provide the Board regularly with reports that will enable the Board to assess whether the Corporation has an appropriate and effective enterprise risk management process.

3. As outlined in the Charter of Audit Committee, our Audit Committee will assist the Board in the oversight of all the ERM activities. The Committee shall:
 - ensure that sound policies, procedures and practices are implemented for the management of key corporate risks;
 - receive sufficient information to understand the nature and magnitude of significant risks to which the Corporation is exposed;
 - review with Management and advise the Board on the Corporation's policies developed and implemented to manage the Corporation's risk exposures, and review such policies at least once a year to ensure that they remain appropriate and prudent;
 - on a regular basis, obtain reasonable assurance that the Corporation's risk management policies for significant risks are being adhered to;
 - report to the Board on: the significant risks; the policies and controls in place to manage these significant risks; and the overall effectiveness of the risk management process;
 - periodically consider the respective roles of the Auditor General ("AG") and internal audit function concerning risk management at the Corporation and annually evaluate the AG's and internal audit function's respective performance in relation to such roles; and
 - request reports from the internal audit function validating Management's risk assessments.
4. The ERM Committee, a senior management committee, provides oversight and direction for the implementation and consistent application of the corporate ERM framework. This management committee will champion risk management as well as manage and monitor the risk exposures and ERM activities of PIDM at a corporate-wide level. It will also provide recommendations and report to the Audit Committee and the Board on the significant risks affecting PIDM and how such risks are being managed.
5. The Strategic Planning and ERM Working Committee ("PERM Working Committee") supports the ERM Committee in facilitating and coordinating ERM and strategic planning activities at an operational level across PIDM. This includes updating the assessment and rating of existing risks, monitoring the progress and updating the status of the mitigation plans of the respective divisions.
6. As secretariat for both the ERM Committee and PERM Working Committee, the ERM Division is responsible for the implementation, development and

maintenance of the ERM framework for PIDM. The ERM division will assist the management in all ERM-related activities and provide independent assessment of, and recommendations to improve PIDM's risk management capabilities.

7. The Audit and Consulting Services Division ("ACS") performs independent assessment and validation on the effectiveness and compliance of ERM process and thus, providing assurance to the Audit Committee and the Board, at least annually, that PIDM has an effective ERM process and that risk management policies are being adhered to.
8. Management will provide the Board with an annual report that confirms that the Corporation's risks are being managed, and that the risk management policies and process continue to be appropriate and prudent.
9. All PIDM employees will manage and report risk at the source and recognise that risk management is everyone's responsibilities.

C. Our Commitment to Enterprise Risk Management

1. PIDM's ERM framework will ensure that relevant risk policies are fully communicated to employees and are effectively integrated in their daily operations.
2. PIDM will ensure that the significant risks that may impact upon PIDM objectives are being consistently and continuously identified, assessed, managed, monitored and reported on. The development of the ERM process and framework will be based on best practices in risk management.
3. PIDM will regularly monitor and review the progress being made in developing an appropriate risk management culture. It will also implement and keep current risk management strategies as a basis for continuous improvement.